

## Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 CEA-01 STR-04 MC-02

ACDA-05 IO-10 SAJ-01 /116 W  
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R 071235Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7942

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

C O N F I D E N T I A L NEW DELHI 4629

E.O. 11652: GDS

TAGS: EFIN, ETRD, PINT, UR, IN

SUBJECT: RUPEE/RUBLE TALKS BREAKDOWN: ON TO THE POLITICAL LEVEL

REF: NEW DELHI 3940

1. IN THE REFERENCED TELEGRAM, WE DESCRIBED A PROBLEM THAT HAD  
ARISEN BETWEEN INDIA AND THE USSR OVER THE EXCHANGE RATE  
BETWEEN THE RUPEE AND THE RUBLE TO BE USED IN THE SO-CALLED  
RUPEE TRADE. TALKS ON THE PROBLEM, WHICH HAD ORIGINALLY BEEN  
SCHEDULED TO LAST THREE DAYS, WENT ON FOR OVER TWO WEEKS,  
INCLUDING DELAYS WHILE THE SOVIETS AWAITED NEW INSTRUCTIONS  
AND A TRIP TO BOMBAY TO LOOK OVER THE RUPEE-ACCOUNT BOOKS  
AT THE RESERVE BANK OF INDIA. THE TALKS CONCLUDED WITHOUT  
AGREEMENT ON APRIL 4, AND THE SOVIET NEGOTIATING TEAM (HEADED  
BY Y.A. BALAGUROV, DEPUTY CHAIRMAN, STATE BANK OF THE USSR),  
RETURNED TO MOSCOW. OFFICIALLY IT HAS BEEN SAID ONLY THAT THE  
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INCONCLUSIVE NATURE OF THE TALKS MERELY SHOWED THE COMPLEXITY

OF THE ISSUES, BUT THERE IS EVERY INDICATION THAT THE PROBLEM HAS PERFORCE BEEN LEFT FOR RESOLUTION BY TALKS AT THE POLITICAL LEVEL.

2. INDIAN OFFICIALS HAVE BEEN SINGULARLY TIGHT-LIPPED ON GROUNDS THAT THE PROBLEM WAS UNDER NEGOTIATION. WE HAVE LITTLE TO ADD TO OUR PRELIMINARY ASSESSMENT. A SOVIET DIPLOMAT TOLD US IN THE COURSE OF A CONVERSATION MAINLY DEALING WITH OTHER SUBJECTS THAT THE PROBLEM HAS BEEN UNDER DISCUSSION FOR OVER A YEAR. OUR ATTEMPTS TO DEVELOP INFORMATION FROM INDIAN OFFICIALS HAVE BASICALLY CONFIRMED THE DESCRIPTION OF THE PROBLEM WE GAVE IN THE REFTEL. ONE SENIOR OFFICIAL TOLD US THAT THERE ARE SEVERAL FORMULAS BESIDES THE GOLD PARS AND THE LONDON CROSS RATE THAT COULD BE USED TO ARRIVE AT AN APPROPRIATE EXCHANGE RATE FOR USE IN THE RUPEE TRADE. ANOTHER SENIOR OFFICIAL TOLD US THAT SOME RUPEE ACCOUNTS HAVE A MAINTENANCE OF VALUE PROVISION IN THAT THEY ARE DENOMINATED IN TERMS OF THE GOLD PAR OF THE RUPEE. SUCH BEING THE CASE, THE PROBLEM COULD HAVE A RETROSPECTIVE AS WELL AS A PROSPECTIVE NATURE SINCE EXISTING BALANCES MIGHT HAVE TO BE AUGMENTED IF INDIA CHANGES THE GOLD PARS OF THE RUPEE OR IF THE GOLD PAR FOR THE RUPEE CEASES TO EXIST AND IT IS REDENOMINATED IN TERMS, FOR EXAMPLE, OF THE SDR.

3. INDIAN OFFICIALS HAVE TOLD US THAT THE SOVIETS WERE ANNOYED WITH THE TREATMENT OF THE MATTER IN THE INDIAN PRESS WHICH HAS TENDED TO VIEW IT AS THE RESULT OF A HIGH-HANDED AND UNILATERAL DEVALUATION OF THE RUPEE BY THE SOVIETS. THIS, OF COURSE, SENSATIONALIZES THE ISSUE, BUT THE CHARACTERIZATION AND THE IMPLICATION THAT THE INDIANS ARE RESISTING A CHANGE IN THE EXCHANGE RATE HAVE ENOUGH SUBSTANCE TO INDICATE THE POTENTIAL SERIOUSNESS OF THE PROBLEM AND THE THREAT IT POSES FOR THE WHOLE OF RUPEE-TRADE TRANSACTIONS, INCLUDING PERHAPS ARMS SALES.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE RATES, RUPEE, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975NEWDE04629  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750120-0205  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750475/aaaacqxs.tel  
**Line Count:** 96  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 NEW DELHI 3940  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 APR 2003 by GolinoFR>; APPROVED <13 MAY 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** RUPEE/RUBLE TALKS BREAKDOWN: ON TO THE POLITICAL LEVEL  
**TAGS:** EFIN, ETRD, PINT, UR, IN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006